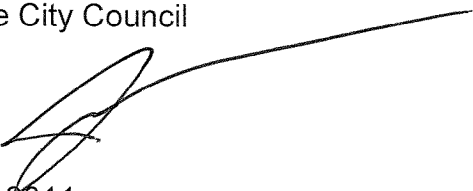


CITY OF ALAMEDA

Memorandum

To: Honorable Mayor and
Members of the City Council

From: John A. Russo
City Manager 

Date: September 20, 2011

Re: Accept the Quarterly Sales Tax Report for the Period Ending March 31,
2011

BACKGROUND

This report summarizes the sales tax transactions for the period January 1 through March 31, 2011, which is the basis for sales tax revenues received by the City between April 1, 2011 and June 30, 2011. For purposes of this report, sales tax revenues exclude Proposition 172 funds, the allocation from the statewide pool for public safety services.

DISCUSSION

Sales tax continues to be the fourth largest source of General Fund revenue for the City of Alameda, representing approximately 7% of total revenues for FY10-11. Taxable sales transactions in Alameda increased approximately 11%, or \$145,000, from the same quarter in the prior fiscal year. This increase is shown on the tables on the following page, which reflect sales by economic category and by geographic area.

The top 25 businesses in Alameda represent approximately 51%, or \$726,600, of the quarter's sales transactions. The top 100 businesses represent approximately 77%, or \$1.1 million, of the quarter's sales transactions.

A historical comparison of per capita sales between Alameda and other cities in Alameda County for the past thirteen quarters is shown in Exhibit 1. Additional exhibits have been included in this report that summarize the history of sales tax for the City's major industry groups (Exhibit 2), and a per capital sales tax surplus/gap analysis showing potential sales lost to other communities (Exhibit 3).

The following is a summary of the key economic categories of sales tax, in comparison with the same quarter of the prior fiscal year:

Economic Category	1st Quarter 2011			
	Total	Percent of Total	Dollar Change	Percent Change
Transportation & Fuel	\$247,403	17%	\$24,270	11%
Food & Drugs	\$192,862	14%	\$10,641	6%
General Consumer Goods	\$222,968	16%	\$14,403	7%
Business & Industry	\$460,491	32%	\$87,682	24%
Restaurants & Hotels	\$245,109	17%	(\$453)	0%
Building & Construction	\$53,569	4%	\$8,926	20%
Total - Quarter	\$1,422,402	100%	\$145,469	11%

Business and industry increased due to increases in sales in the health services and light industrial sectors. The increase in transportation and fuel reflects increases in gasoline prices and increased sales at boat and motorcycle dealers.

The following is a summary of the geographic generation of sales tax, in comparison with the same quarter of the prior fiscal year:

Geographic Areas	1st Quarter 2011			
	Total	Percent of Total	Dollar Change	Percent Change
Park – North of Lincoln	\$141,940	10%	24,133	20%
Park – South of Lincoln	132,528	9%	10,474	9%
Webster – North of Lincoln	90,999	6%	14,798	19%
Webster – South of Lincoln	27,261	2%	3,061	13%
Bridgeside Center	59,002	4%	13,324	29%
Alameda Towne Centre	300,128	21%	39,706	15%
Marina Village Shopping Center	40,498	3%	6,291	18%
Harbor Bay Landing	37,627	3%	716	2%
Marina Village Business Park	61,543	3%	24,930	68%
Harbor Bay Business Park	44,038	3%	(7,845)	-15%
All Other Areas	486,838	34%	15,881	3%
Total - Quarter	\$1,422,402	100%	145,469	11%

*Includes monies received from the State and County sales tax pool

Increases were noted in all geographic areas except the Harbor Bay Business Park. These increases were primarily due to increased transportation, fuel and restaurant sales. The decrease in the Harbor Bay Business Park area resulted from decreases in the business and industry sector.

FINANCIAL IMPACT

As of June 30, 2011, fiscal year sales tax revenues were approximately \$4.6 million, or 91%, of the \$5.1 million budgeted for FY10-11, which is approximately the same as the amount received through the same quarter in FY 09-10.

RECOMMENDATION

Accept the Quarterly Sales Tax Report for the period ending June 30, 2011.

Respectfully submitted and approved as to funds and account,



Fred Marsh
Controller

Exhibits:

- 1 – All Business Types – 13 Quarter History (adjusted basis)
- 2 – Major Industry Groups
- 3 – Per Capita Sales Tax Surplus / Gap Analysis
- 4 – Sales Tax Update

cc: Rob Ratto, PSBA
Harry Hartman, GABA
Judi Friedman, WABA
Renee Kellogg, Alameda Chamber of Commerce

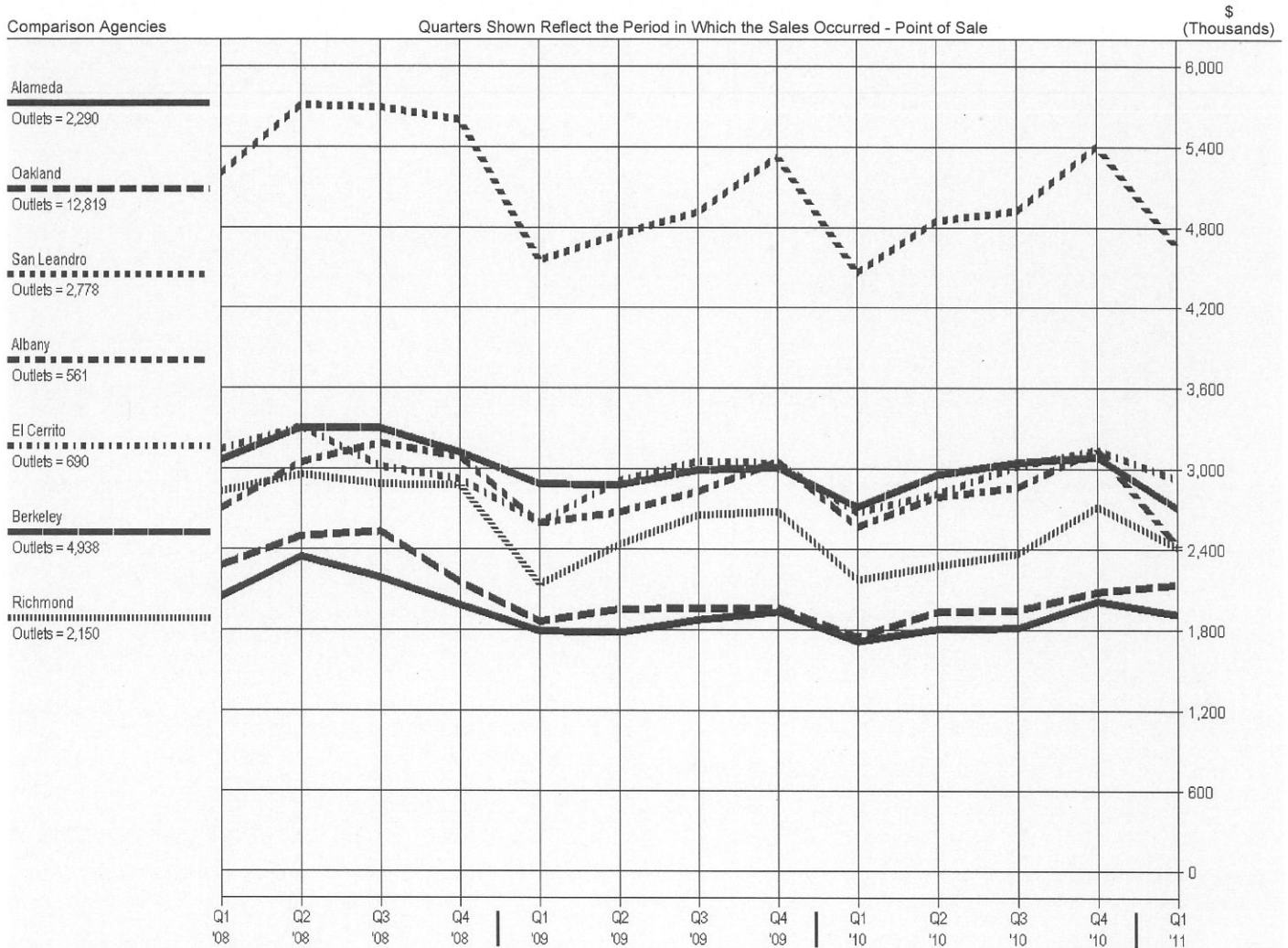


CITY OF ALAMEDA

ALL BUSINESS TYPES - 13 QUARTER HISTORY

Adjusted by moving retroactive payments with an absolute value of \$5,000 or more into the quarter the sale was generated

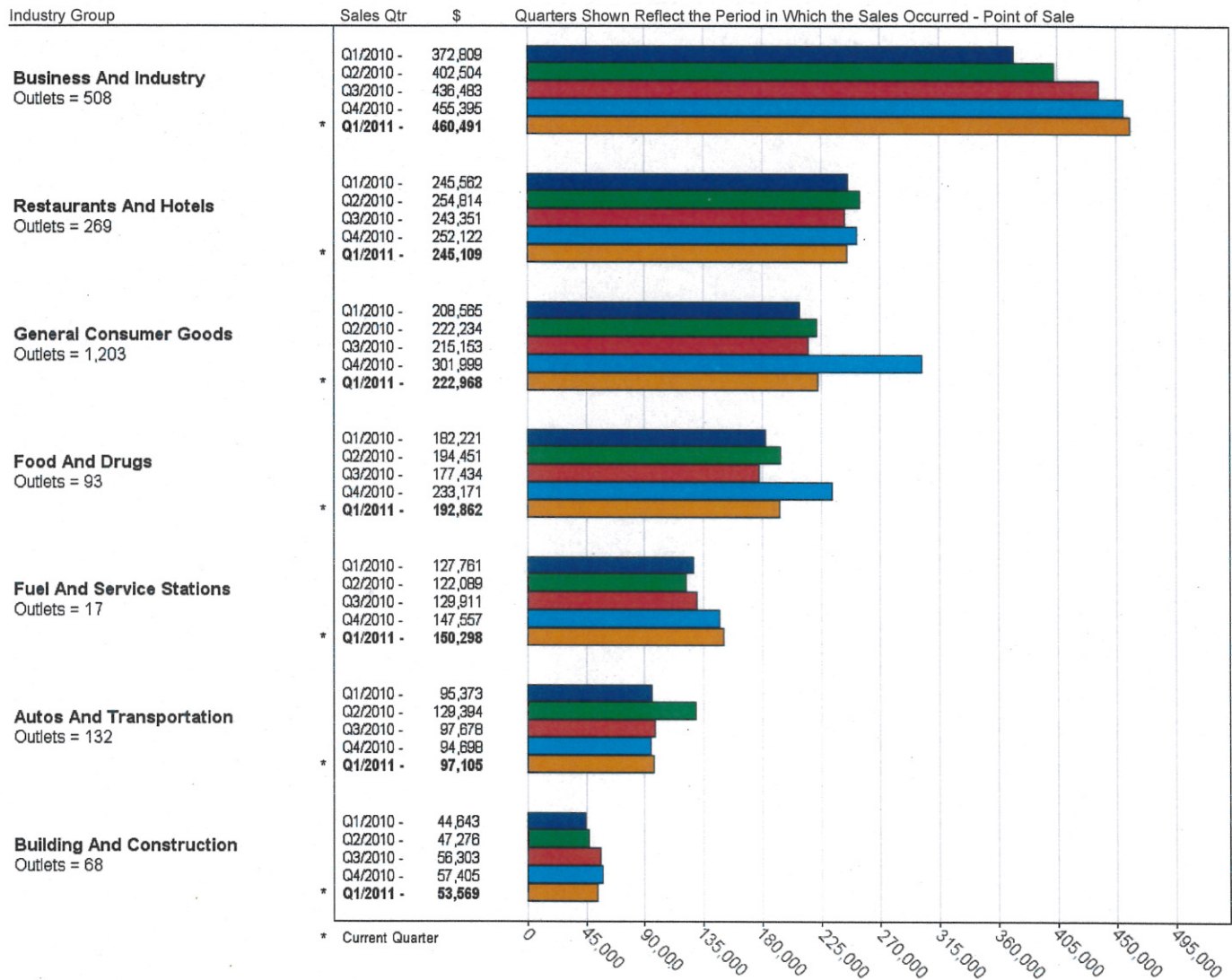
Chart Description: This chart compares *per capita* sales to that of other jurisdictions. The prior 12 quarters are shown graphically for historical reference purposes. **Allocations have been adjusted to reflect economic data.**





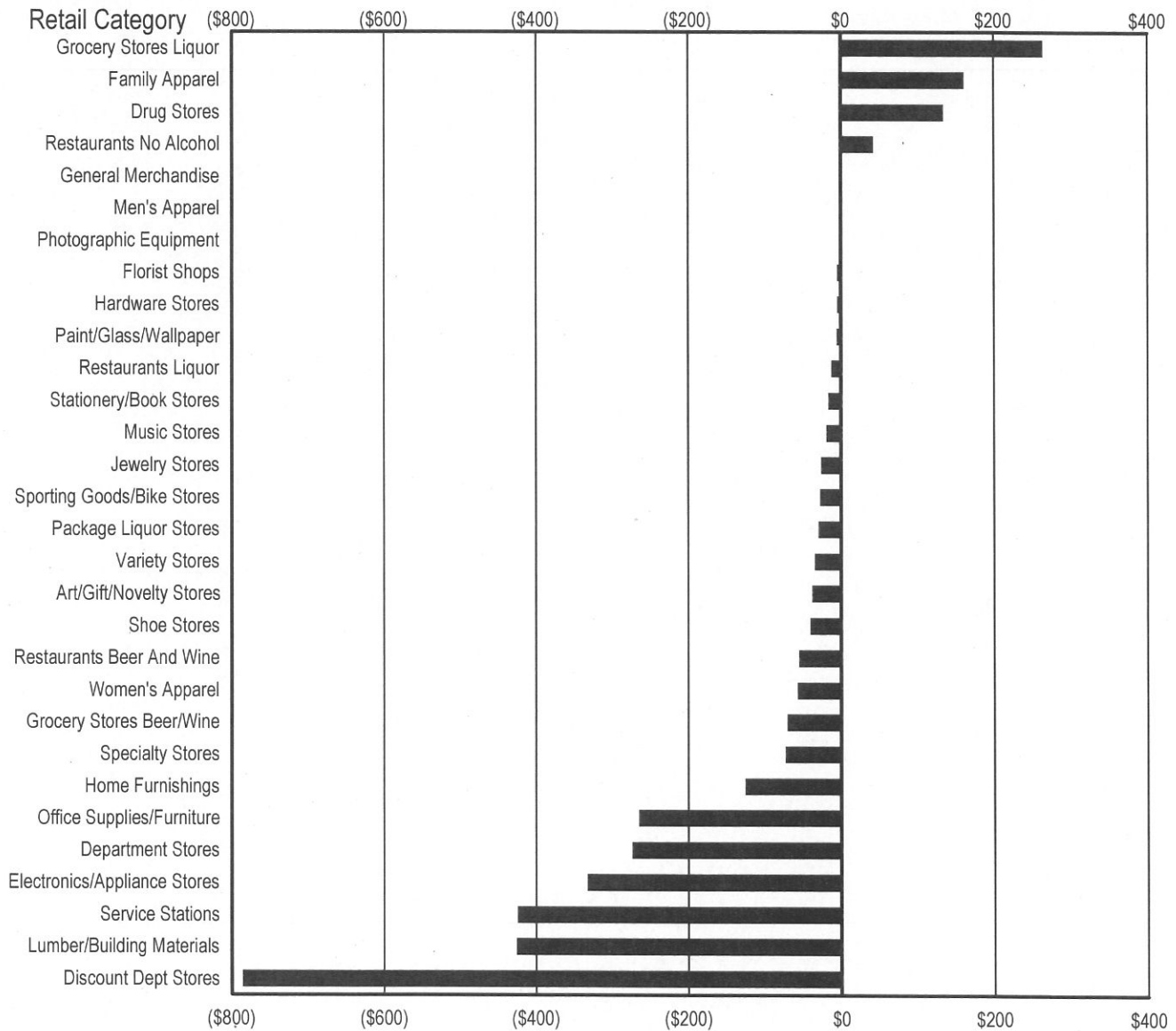
CITY OF ALAMEDA MAJOR INDUSTRY GROUPS

Chart Description: This chart compares sales tax for the Major Industry Groups listed in descending order by current quarter sales volume. The prior 4 quarters are shown graphically for historical reference purposes.



CITY OF ALAMEDA

PER CAPITA SALES TAX SURPLUS/GAP COMPARISON - FISCAL YEAR 2010/11



The above graph compares **per capita** sales tax generated from targeted retail categories against countywide averages. A **retail surplus** suggests the community is capturing its local market for that category of goods plus attracting shoppers from outside the jurisdiction. A **retail gap** suggests the possibility that residents may have a greater demand for products in the specific category than is being satisfied by local businesses. The information is provided only as a **starting point** in identifying potential sources of sales tax loss and should not automatically be interpreted as an expansion or leveraging opportunity without more detailed analysis and assessment.

Statewide Sales on the Rise

Adjusted for accounting aberrations, California's local sales and use tax revenues from transactions during the first quarter of 2011 were 9.2% higher than the previous year's comparable quarter. This represents the fifth consecutive quarter of recovery and the largest percentage gain since the second quarter of 2005. Total annual revenues however, are still 14.8 % below 2006-2007.

Most regions of the state shared in the increase with the largest contributor coming from a dramatic surge in fuel prices. Allocations from new car sales also were a factor with a statewide gain of 19.8% over the first quarter of 2010. Revenues from full service restaurants and consumer electronics exhibited increases of 10% or more.

California Outlook

The good news is that California's economy is recovering and sales tax growth will follow. However, gains in the next two quarters will be held back by temporary supply chain disruptions caused by the earthquake and tsunami in Japan and by reduced consumer spending as rising gas prices cut into disposable incomes. New uncertainties from further declines in home values and additional government layoffs may also soften consumer spending and business investment for the first half of the fiscal year.

Sales tax growth is expected to pick up in the second half although sluggish improvement in employment and lackluster construction spending will continue to affect the economies of the state's inland regions.

Internet Taxation

Under federal case law, states cannot require businesses without a physical presence in their state to collect sales tax. Companies such as Amazon have built their business plans around avoiding collecting the tax thereby put-

ting local brick and mortar stores at a competitive disadvantage.

This year, California has attempted to partially correct the inequity through the passage of ABX1 28 which combines the differing strategies of three previous bills with each designed to be severable in the event of a successful court challenge.

The first follows the lead of New York State by declaring that internet sales through a host of in-state affiliates constitutes "substantial nexus" and therefore makes sales through those affiliates subject to sales tax. ABX1 28 also prevents companies with in-state brick and mortar stores from treating those stores as separate legal entities to avoid collecting tax on internet sales. The third strategy permits the state to use a revised definition of "engaged in business in this state" if future court decisions expand the definition of nexus so that internet sellers must collect sales tax in their customers' jurisdictions.

ABX1 28 is expected to increase

statewide tax collections by \$317 million annually, with local governments splitting about \$39 million or roughly \$1.00 per capita. Revenues from these out of state sales would be distributed primarily though the countywide use tax allocation pools.

Staying Alive (shrinking retailers)

Agencies in smaller market areas may have fresh opportunities for new retail with big box stores now planning on smaller facilities. Reducing floor area is seen as another method of cost containment as consumer thriftiness keeps pressure on corporate profit margins. JC Penney, Petsmart, TJ Maxx and Staples have announced plans to build stores up to 40% smaller than their existing locations while Best Buy is planning to sublease part of the space in their existing stores and retail giant Wal-Mart is experimenting with stores as small as 14,000 square feet to recapture lost market share from dollar stores.

ALAMEDA TOP 15 BUSINESS TYPES

Business Type	Alameda		County	HdL State
	Q1 '11*	Change	Change	Change
Boats/Motorcycles	55.9	25.0%	5.2%	-1.4%
Business Services	30.2	13.8%	0.5%	-10.8%
Drug Stores	54.9	-0.1%	-0.7%	3.3%
Family Apparel	79.3	22.7%	6.1%	3.8%
Grocery Stores Liquor	110.0	7.5%	2.8%	-12.5%
Home Furnishings	26.8	9.5%	5.2%	5.1%
Light Industrial/Printers	30.1	-23.1%	2.3%	6.3%
Medical/Biotech	295.1	3.6%	1.7%	3.0%
Office Supplies/Furniture	27.4	162.0%	6.9%	0.2%
Plumbing/Electrical Supplies	30.8	71.6%	-12.5%	0.9%
Restaurants Beer And Wine	44.5	-9.7%	0.8%	-3.1%
Restaurants Liquor	68.7	-10.3%	5.7%	8.2%
Restaurants No Alcohol	127.3	10.0%	9.7%	8.6%
Service Stations	150.0	17.4%	17.1%	19.8%
Specialty Stores	43.9	-3.8%	2.7%	3.1%
Total All Accounts	\$1,422.4	11.4%	9.8%	7.5%
County & State Pool Allocation	204.6	10.6%		
Gross Receipts	\$1,627.0	11.3%		
City/County Share	(81.4)	-11.3%		
Net Receipts	\$1,545.7	11.3%		